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SUBJECT: PANAMA: NEW THINK TANK AIMING HIGH

Classified By: Classified by: Ambassador Barbara J. Stephenson for reasons 1.4(b) and (d).

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SUMMARY  
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1. (C) Panama's newest think tank, the Foundation for the Economic and Social Development of Panama (FUDESPA) on January 15 presented its brain-child, a document entitled "Public Policy Proposals: Popular Elections, May 2009" that is designed to influence the government plans of candidates running for office in the May 3 elections. The proposal offers diagnoses, recommendations, and cautionary pronouncements on what FUDESPA's experts judge to be Panama's five most critical policy themes: 1) the education system, 2) security, 3) mass public transit, 4) energy, and 5) human development. FUDESPA Executive Director Jose Chen Barria separately told POLOFF that FUDESPA had not formally met with the candidates' advisers. He added that he had little hope that leading presidential candidate Ricardo Martinelli would pay serious attention to the proposal. FUDESPA is a well-meaning and well-connected organization, but policy dialogue has gotten short shrift in a campaign fundamentally about personality. It is unlikely that FUDESPA's ideas will hold serious sway in the three-month slugfest before the election. However, if it can overcome its growing pains and strengthen its overall capacity, FUDESPA has potential to be a solid catalyst for U.S. programs and priorities. End summary.

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A GOOD START  
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2. (C) FUDESPA was founded at the end of 2007 with \$50,000 contributions from 12 to 15 individual high-roller donors from the business sector, including Martinelli and former Panamenista presidential primary candidate and banker Alberto Vallarino. Other key donors included Transparency International Panama Chapter president Roberto "Bobby" Eisenmann, real estate developer Herman Bern, and businessman Felipe Rodriguez. In April 2008, it held its introductory event, featuring speakers from other think tanks in the region (and USAID) that discussed how best to contribute to formulating public policy and building democratic institutions in their respective countries.

3. (C) FUDESPA's real coming-out party was a January 15 breakfast, attended by ECONCOUNS, to present to the Panamanian political class and business elite its findings on: 1) the challenges facing the GOP, 2) recommendations for corrective public policies, and 3) the costs of inaction. The event counted among its attendees many political class and business luminaries, including Revolutionary Democratic

Party (PRD) vice-presidential candidate Juan Carlos Navarro and then-Panamenista Party Presidential candidate Juan Carlos Varela (and current running mate to Ricardo Martinelli under his grand opposition "Alliance for Change" banner). Conspicuously absent were the two leading presidential candidates: Martinelli and the PRD's Balbina Herrera. In a long-winded and ponderous main event, FUDESPA's leadership revealed what they found to be Panama's five most crucial policy themes: 1) the national education system, 2) public and citizen security, 3) mass public transit, 4) energy policy, and 5) human development and equity. Polling has regularly identified them as voters' top concerns. Coordinators from working groups set up to discuss each theme presented their findings and recommendations, that were collected in FUDESPA's 311-page document entitled "Public Policy Proposals: Popular Elections, May 2009."

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PUBLIC POLICY PROPOSALS: FIVE BOILED-DOWN PRIORITIES  
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14. (C) In January 2008, FUDESPA convened groups of experts from the spectrum of Panamanian politics, civil society, and the business world to decide on the top challenges facing the Panamanian state. FUDESPA's Board of Directors boiled their list down to the five most pressing and established a working group and coordinator for each. The groups were tasked with devising corrective public policy proposals, with the goal of having candidates for political office work the proposals into their own government plans. The following are brief summaries of the five sections that comprise "Public Policy Proposals."

1A. National Education System (12-member working group)  
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"Education is a key step toward overcoming inequality and poverty," FUDESPA asserted. FUDESPA was established "to offer tools to help take firm steps toward closing the gap between 'the Panama that we have' and 'the Panama that we want,' and believes that education warrants special consideration." FUDESPA's main objective is to expand access to education and improve quality standards of education through a variety of public policies and actions, including:

- integral retention and reinsertion policies targeting vulnerable populations
- the implementation of obligatory basic education and free education laws
- bilingual education programs where applicable
- update and strengthen national evaluation capacity and standards
- provide more medical, mental health, and nutrition resources
- stricter minimal training standards for new teachers, including a "New Educator Profile"
- decentralization of the national system
- renovation of school buildings.

The education section has by-far the most specific action recommendations, that target 1) access and coverage, 2) learning objectives, 3) standards and evaluation, and 4) student support (i.e. teacher training, school infrastructure). Despite recent advances, FUDESPA reports that many children lack access to education, and that between 30 and 40% of classrooms are in average or poor condition. Long-term financial investment in education should be accompanied by integral changes to significantly transform the education system.

1B. Public and Citizen Security (eight-member working group)  
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"There is a general perception that Panama is becoming saturated with delinquency; the question is whether this is increasingly becoming a reality," begins the security section. The security working group was tasked with exploring four thematic areas: 1) policies for a security

administration system, 2) national security, 3) prevention and social justice, and 4) public security and policing groups. Key recommendations were to:

- create a "Security Administration System," comprised of three new bureaucratic security offices
- elevate the current Vice Ministry of Public Security to a cabinet-level office that would then coordinate the public forces, including the Panamanian National Police
- create a permanent commission in the National Assembly to discuss security issues
- help crime prevention by encouraging civic groups to "strengthen values."

Panama is far safer than many of its regional neighbors, but is experiencing a troubling up tick in crime; FUDESPA argues that rising crime rates jeopardize investment and put at risk the benefits of Panama's recent economic success. Many of the policy recommendations represent efforts to institutionalize security oversight and place security concerns more squarely on the government's radar. (Comment: POLOFF met separately with security working group member Jaime Abad, who was dismissive of the effort. Abad complained that the group lacked expertise and wasted an inordinate amount of time on esoteric points without arriving at useful guidance.)

#### 1C. Mass Public Transportation (three-member working group)

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About 46% of Panama's total population lives in the capital, which suffers inadequate, unsafe, and inefficient public transportation that contributes to daily snarled traffic, long commute times, and loss of productivity. FUDESPA's key recommendations in its extensive public transportation section are to:

- develop an Integrated Mass Transit System in the capital
- constructing dedicated lanes for buses, and devising a pre-paid integrated fare system
- purchase 400 new buses and vet and reinsert current bus drivers into the new system
- add 180 traffic lights
- improve pedestrian infrastructure

FUDESPA assesses that excessive time in transit amounts to productivity losses of \$560 million per year, and that a reduction from an average of 1.5 hours to 30 minutes would reduce this loss to \$371 million. The book also provides extensive documentation of previous studies on transportation problems and fixes. (Comment: Renovation of the capital's transportation grid is a much-debated topic, and efforts to fix it will probably be a high-profile, early priority for the next administration.)

#### 1D. Energy Policy (five-member working group)

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FUDESPA assesses that Panama relies on hydrocarbons for about 45% of its electricity production, and that this is unacceptable, given the country's potential for more hydro-electric generation. FUDESPA recognizes that long-term policies for sustainable energy-generation are a national security concern, and policy objectives include ensuring the wide availability of electricity at lower prices through increased use of renewable energy sources, and reducing energy consumption in general. Key recommendations include:

- creating more hydro-electric and other renewable energy production facilities
- promotion of laws restricting importation of older, less fuel-efficient cars
- short- and long-term steps toward a more efficient transportation grid

#### 1E. Human Development (seven-member working group)

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FUDESPA defines human development as "the process of expanding people's capacities, and widening the range of things that people can do. Poverty, in contrast, is the privation of people's fundamental capacity to achieve a dignified and decent life." The bulk of the Human Development and Equity section includes reprints of a consulting group's study and a 2008 Economic Commission for Latin America and the Caribbean (ECLAC) "Social Panorama" report. The objectives described by the working group include "achieving greater equity in capacity and opportunity for the poor and those in social risk," and to "generate social mobility by constructing more cohesive social institutions that transcend governments." The key recommendations are to:

- require commitments and political will from the candidates
- strengthen the Ministry of Social Development as the promoter of social policy
- strengthen the social element of representational democracy; "the development of the country is everyone's responsibility"
- restructure state efforts; the global financial crisis requires a re-assessment of the use of state resources.

The risks of non-action include the perpetuation of clientelist practices (the lack of a professional civil service results in "cleaning house" every election year and limits the possibility for building long-term strategies), and losing out on the development opportunities presented by recent economic growth.

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PANAMA'S FIRST THINK TANK  
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15. (C) "In Panama there are no think-tanks - by that I mean there are no organizations that are truly insulated from political or business interests and are dedicated to improving the country - and we will be the first one," FUDESPA's Executive Director Jose Chen Barria told POLOFF on February 9. Many civil society organizations work on one specific topic or toward a political goal, he said, "but our strength is that we have participants from across the political spectrum and not from just one ideological viewpoint." Chen Barria expressed pride that FUDESPA was supported by individuals and not by interest groups or unions; in his view this provides the organization insulation from partisan interests. When asked about FUDESPA's sustainability, Chen Barria referred again to the individual donors and said he was not worried; "Our donors are big-shots who have the freedom to do what they want and are not tied to specific parties, interests, or governments."

16. (C) Chen Barria revealed that FUDESPA had not had formal meetings to date with either of the presidential campaigns, and that his next step would be to approach all of the incoming legislators shortly after the May elections to present to them the proposal book. "They'll get elected and then say 'well now what do I do?' That's when we'll turn up with this book that shows them what they should do." Chen Barria asserted that, were he to win the election, Martinelli would "have a majority in the Assembly one way or another, either by votes or with money - I'm sure of this. If the Alliance doesn't win enough seats and he needs to pay to have PRD deputies on his side, he'll do it."

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TIES TO MARTINELLI'S "ALLIANCE FOR CHANGE"  
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17. (C) Echoing a concern among business leaders, Chen Barria leaned in and told POLOFF, "Listen, Martinelli might be crazy, but we have no idea what Balbina would do as president. We don't want an Evo Morales, a president beholden to Chavez, in Panama." Chen Barria acknowledged Martinelli's role in founding FUDESPA; "Martinelli gave us the money and said that our proposal will be his governing platform," implying that Martinelli did not want to be

bothered with coming up with a plan on his own. (Comment: Martinelli released his government plan on February 11; a review of its content will follow.) Asked if Martinelli would govern with FUDESPA's guidance, Chen Barria responded, "Ricardito is a friend of mine, and he's not a man concerned with details. He's a big-decision guy, 'just give me an executive summary' he'd say, and he will make a decision."

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COMMENT  
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16. (C) Broad consensus among Panamanians over the need to address the five policy priorities identified in FUDESPA's proposal already exists. Panama has a fair share of established policy-prescriptive NGO's, such as the National Council of Private Enterprise (CONEP), the Panamanian Association of Business Executives (APEDE), and the Panamanian chapter of Transparency International, that cover a variety of issues. But each tends to focus on a few specific topics rather than taking a broad, integrated approach to public policy. The Agreements of the National Dialogue (Concertacion) is a 2007 document written by a group of government officials and leaders of civil society, religious, and business groups advocating proposals to overcome social and territorial inequities. The Concertacion is widely referenced as a solid gameplan for long-term social development and is an important antecedent to FUDESPA. FUDESPA's value-added is not so much its identification of problems or specific proposals to resolve them, but rather its aspiration to fill Panama's "think tank gap." Though presently the campaign is devoid of a substantive policy debate, FUDESPA's work could prove useful in the post-election period, should the ideas and proposals for which FUDESPA advocates gain traction. Seen in this light, its plan to target all the incoming deputies with its playbook seems like a good first step. The support of Panama's new president will be essential in Panama's highly centralized presidentialist system if FUDESPA's proposals are to take root. Chen Barria's assertion that FUDESPA is a group with no political interests is less-than convincing; FUDESPA's business-oriented founders clearly favor Martinelli. Chen Barria was not shy to point out, in part because of her "unpredictability," the business elite's fear of an Herrera presidency. Though fears that Herrera would be a "Panamanian Evo Morales" are overblown, local business leaders generally believe that Herrera would squander the economic progress that the country has made in recent years. FUDESPA's proposals are neither overtly partisan nor particularly ideological, a reflection of the political reality that broad consensus exists not only on what Panama's most pressing challenges are, but also on solutions to those challenges. What is missing, however, is government capacity to fix big problems like education and transportation. Since Martinelli is among FUDESPA's financial backers, it stands to reason that FUDESPA would have Martinelli's ear if he wins the presidency. The birth of FUDESPA represents a step in the right direction in the maturity of Panamanian civil society. As Chen Barria pointed out, Panama has a dearth of think tanks and "political thinkers," and FUDESPA has the potential to serve as a catalyst for the type discussion of salient issues that we would like to see bloom.

STEPHENSON